

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-03 OES-03 INT-05

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R 131818Z JAN 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8059

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

USMISSION EC BRUSSELS

C O N F I D E N T I A L LONDON 00562

E.O. 11652: GDS

TAGS: ENRG EEC

SUBJECT: EC DELIBERATIONS ON A MINIMUM SAFEGUARD PRICE

REF: EC BRUSSELS 139

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1. MIERS (FCO ENERGY) BELIEVES COMMISSION'S DRAFT PAPER

ON AN MSP SCHEME IS JUST AN INITIAL CUT AT PROBLEM WHICH IS LIKELY TO TAKE CONSIDERABLE TIME TO RESOLVE. EC SCHEME WILL BE MUCH MORE PRECISE THAN VAGUE IEA FORMULATION WITH ITS A LA CARTE APPROACH TO APPROPRIATE MECHANISMS AND THUS DELAYS WILL RESULT. ONE ASPECT WHICH COMPLICATES ADOPTION OF PRE-POSITIONED MECHANISM SUCH AS A VARIABLE LEVY IS NECESSITY TO TAKE INTO ACCOUNT FREE TRADE OBLIGATIONS ASSUMED UNDER EC AGREEMENTS WITH OIL PRODUCER STATES AND EVEN WIDER COMMITMENTS MADE TO EXPORTERS OF PRODUCTS SUCH AS MEDITERRANEAN COUNTRIES. DEGREE TO WHICH EC MEMBER STATES ARE WILLING TO OPEN THEMSELVES TO POSSIBLE DISPUTES WITH THIRD COUNTRIES MAY BE IMPORTANT FACTOR IN DETERMINING HOW FAR COMMUNITY SCHEME GOES.

2. MIERS NOTED OTHER TIME-CONSUMING POINTS COULD BE EXTENT TO WHICH PETROLEUM PRODUCTS AS WELL AS CRUDE WILL BE COVERED, AGREEMENT ON COEFFICIENTS AND ALTERNATE PROTECTIVE MECHANISMS. MOREOVER, ARRIVAL OF LEONARD WILLIAMS AS NEW DIRECTOR GENERAL IS APT TO CAUSE A HICCUP IN COMMISSION'S WORK SINCE HE UNDOUBTEDLY WILL WANT TO MAKE HIS OWN REVIEW AND CONTRIBUTION

3. MIERS DISMISSED AS OF LESSER IMPORTANCE FRENCH STATEMENTS TO EFFECT THAT WORDING OF ROME MEETING COMMUNIQUE DID NOT COMMIT THEM TO AN MSP. HE FELT POLITICAL IMPERATIVES WERE PUSHING FRENCH ALONG. BUT MIERS ADDED THAT THERE IS ADEQUATE SCOPE FOR ARGUMENT OVER DETAILS OF MSP WITH OR WITHOUT FRENCH MAKING DISAGREEMENT INTO POLITICAL ISSUE.

4. MIERS STATED HMG DOES NOT BELIEVE IT WILL HAVE TO PAY A BARGAINING PRICE IN TRADEOFFS WITHIN EC TO OBTAIN MSP AGREEMENT. HE ASSERTED MSP WILL BE FORGOTTEN IN NOT TOO DISTANT FUTURE AS DOMESTIC POLITICAL ISSUE WHICH REQUIRES LABOR GOVERNMENT TO DELIVER A VIABLE PACKAGE. ACCORDING TO MIERS, HMG WOULD TAKE MORE FLACK DOMESTICALLY IF IT WERE SEEN TO BE MAKING CONCESSIONS WITHIN EC TO GET MSP WHEN OPERATION REALLY SHOULD BE SIMPLY ONE OF GETTING EC IN SHAPE TO LIVE UP TO AN IEA

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COMMITMENT.

5. COMMENT: IN OUR VIEW MIERS WAS NOT TOO CONVINCING IN ARGUING THAT HMG, AND ESPECIALLY FONSEC CALLAGHAN, COULD AVOID POLITICAL CRITICISM SHOULD EC FAIL TO ADOPT AN MSP MECHANISM. WE DOUBT FRENCH OR DANES, FOR EXAMPLE, WILL OVERLOOK THIS OPPORTUNITY TO PRESS FOR A BROADER ENERGY INVESTMENT INSURANCE SCHEME OR OTHER UK

CONCESSIONS ON EC ENERGY POLICY ISSUES. WHILE ARTICLE
34 OF ROME TREATY ASSURES MEMBER STATES OF FREE ACCESS
TO NORTH SEA MIL (OR BRITISH COAL FOR THAT MATTER), IT
IS NOT INCONCEIVABLE BRITISH MAY BE ASKED TO REITERATE
WITH CRYSTAL CLARITY THEIR DEDICATION TO THIS SPECIFIC
TREATY OBLIGATION.

RICHARDSON

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NNN

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